

Message Text

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FOR EXIM BANK

E.O. 11652: N/A

TAGS: BEXP, EFIN, BMEP, KS

SUBJECT: RAND VISIT

REFS: (A) SEOUL 534; (B) SEOUL 507; (C) SEOUL 480

1. SUMMARY: EXIM VICE PRESIDENT JOSEPH RAND'S JANUARY VISIT TO KOREA HELPED ESTABLISH MAJOR OUTLINES OF NEAR-TERM KOREAN INTEREST IN EXIM LENDING. DURING OFFICIAL CALLS AND MEETINGS WITH BUSINESSMEN IN SEOUL, TAEGU AND PUSAN, KOREANS DESCRIBED GROWING REQUIREMENT FOR EXIM FINANCING, ESPECIALLY IN VIEW OF DEVELOPING JAPANESE CREDIT RESTRAINT. MAJOR PROJECTS DISCUSSED, ALL OF WHICH WERE DESCRIBED AS PRIORITIES FOR KOREAN INDUSTRIAL EXPANSION, COULD BRING SUBSTANTIAL GAIN IN U.S. MACHINERY EXPORTS TO KOREA. END SUMMARY.

2. RAND AGAIN PROVED TO BE KNOWLEDGEABLE AND ELOQUENT INTERPRETER OF COMPLEX OF EXIM PROGRAMS AND PROCEDURES. WEEK-LONG VISIT JANUARY 12-18 PERMITTED WIDER SCOPE OF ACTIVITY THAN RAND'S PREVIOUS SHORT VISITS TO KOREA. CALLS ON OFFICIALS AND MEETINGS
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WITN BUSINESSMEN IN THREE MAJOR CITIES PERMITTED EXPLANATION OF

EXIM POSSIBILITIES AND LIMITATIONS IN MANNER WHICH WOULD NOT OTHERWISE HAVE BEEN POSSIBLE. RAND'S REPORT TO EXIM WILL COVER DETAILS OF VISIT. EMBASSY HAS ALREADY SENT TELEGRAMS ON IMMEDIATE ISSUES. FOLLOWING COVERS HIGH POINTS OF CALLS OF UNUSUAL INTEREST.

3. CENTRAL POINT OF SEOUL VISIT WAS CHAMBER OF COMMERCE SPONSORED SEMINAR CONDUCTED BY RAND AT CHAMBER AUDITORIUM. FOR THE NINETY EXECUTIVES ATTENDING, RAND OUTLINED SCOPE OF EXIM PROGRAMS AND ANSWERED QUESTIONS ON COMPETITIVE CONDITIONS OF EXIM CREDITS, LIMITATIONS ON COVERAGE AND MANNER OF APPLICATION. MEETING WAS GENERALLY, BUT SOMEWHAT INACCURATELY, REPORTED IN KOREAN PRESS.

4. BESIDES INDIVIDUAL MEETING WITH ACTUAL AND POTENTIAL CUSTOMERS, SEOUL PROGRAM INCLUDED AMERICAN CHAMBER BRIEFING BREAKFAST, COMMERCIAL COUNSELOR'S RECEPTION FOR KOREAN AND AMERICAN BUSINESS LEADERS, AND MEETING WITH KOREAN BANKERS. DURING VISIT TO PUSAN, KOREA'S SECOND LARGEST CITY, AND TAEGU, THIRD LARGEST CITY, RAND DESCRIBED EXIM PROGRAMS TO MEETINGS OF LOCAL BUSINESSMEN SPONSORED BY LOCAL BANKS AND USIS BRANCH OFFICES. AS RESULT OF TAEGU VISIT, BANK OF TAEGU IS MAKING STRENUOUS EFFORT TO BECOME EIGHTH KOREAN BANK IN EXIM'S COOPERATIVE FINANCING FACILITY.

5. MINISTER OF COMMERCE AND INDUSTRY CHANG CONCENTRATED ON SINGLE SUBJECT OF EXIM SUPPORT FOR BLAST FURNACE (38 MILLION) AND COLD ROLLING MILL (140 MILLION) FOR EXPANSION OF POHANG STEEL MILL (REF A). MINISTER SAID THAT IF THERE IS CEILING ON EXIM EXPOSURE IN KOREA, THEN EXPANSION OF STATE-OWNED, FIRST INTEGRATED STEEL MILL ENJOYS ABSOLUTE PRIORITY.

6. MINISTER OF FINANCE, NAM DUCK WOO, TOLD RAND THAT MAJOR ISSUE FOR ROKG IN 1974 WOULD BE INEVITABLE DRASTIC PRICE INCREASE AND IMPACT THIS COULD HAVE FOR TRADE AND BALANCE OF PAYMENTS. WITH OIL IMPORT BILL INCREASING FROM \$350 MILLION IN 1973 TO OVER ONE BILLION DOLLARS IN 1974, IT WOULD BE NECESSARY TO CURTAIL IMPORTS AND PRESS EVEN HARDER FOR EXPORT INCREASE. TURNING TO ENERGY CRISIS, HE SAID KOREA WAS REVISING LONG-TERM ENERGY PROGRAM WITH SPECIAL EMPHASIS ON DEVELOPMENT OF WATER RESOURCES.

7. OH WAN-CHUL, SENIOR SECOND ECONOMIC SECRETARY TO PRESIDENT PARK OUTLINED KOREA'S DEVELOPMENT PLANS AND FORTHRIGHTLY EXPRESSED LIMITED OFFICIAL USE

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THE NEED FOR EXIM BANK FINANCING FOR U.S. SUPPLIERS TO THE PROJECTS INVOLVED. IN VIEW OF MAGNITUDE OF THE PROGRAM AND FINANCING INVOLVED, RAND SUGGESTED NEED OF PRIORITIES WITHIN PRIORITIES.

8. DEPUTY DIRECTOR OF PLANNING OFFICE OF GOVERNMENT'S BLUE RIBBON HEAVY AND CHEMICAL INDUSTRIES PROMOTION COUNCIL, SUH SUCK JOON, EMPHASIZED GOVERNMENTAL PRIORITY FOR SECOND INTEGRATED STEEL MILL FOR WHICH U.S. STEEL ENGINEERS AND CONSULTANTS ARE COMPLETING

FEASIBILITY STUDY TO BE JOINTLY PREVIEWED IN PITTSBURGH EARLY MARCH. SUH SAID ROKG WOULD BE LOOKING FOR EXIM SUPPORT PERHAPS AS PART OF INTERNATIONAL CONSORTIUM APPROACH. HE THEN SUGGESTED POSSIBLE EXIM PARTICIPATION IN NEW PETROCHEMICAL COMPLEX AT YOSU ON SOUTHWEST COAST AS WELL AS EXPANSION EXISTING COMPLEX AT ULSAN. ACCORDING TO SUH, CALTEX, WHICH HAS REFINERY AT YOSU, MAY BE INTERESTED IN ADDING NAPHTHA CRACKER, BUT 10-12 DOWNSTREAM PLANTS MAY GO TO JAPANESE GROUP LED BY MITSUI-MITSUBISHI WHO HAVE EXPRESSED INTEREST IN WHOLE PACKAGE. HE ADDED THAT GULF AND PRESENT U.S. INVESTORS AT ULSAN WOULD PROBABLY BE WILLING TO PARTICIPATE IN EXPANSION OF EXISTING COMPLEX.

9. PRESIDENT OF STATE-OWNED KOREA ELECTRIC COMPANY, MIN CHUNG SUK, ASKED EXIM SUPPORT FOR SECOND NUCLEAR PLANT (\$120 MILLION) AND POSSIBLE INCREASE IN UNUSED EXIM CREDIT (\$25 MILLION TO \$50 MILLION) FOR INCHON III FOSSIL FUEL PLANT (REF B). WHILE MIN HAS ASKED WESTINGHOUSE TO OBTAIN PRECOMMITMENT FOR NUCLEAR PLANT, DECISION ON USE OF EXIM CREDIT FOR INCHON III AWAITS KECO JUDGEMENT, EXPECTED SHORTLY, BETWEEN FRENCH (ALSTHOM) AND WESTINGHOUSE OFFER. OFFERS WOULD CONTAIN PRICED OPTION FOR DUPLICATE PLANT (INCHON IV) AND WOULD INVOLVE FINANCING OF ADDITIONAL ESTIMATED \$50 MILLION FOR TOTAL OF \$100 MILLION FOR THE TWO. MIN SAID ENERGY PLANTS, FOR OBVIOUS REASONS, HAVE BEEN ACCORDED ROKG PRIORITY.

10 KOREA GENERAL CHEMICAL CORPORATION OFFICERS PLUS FOUR EXECUTIVE MET WITH RAND TO ATTEMPT TO ENLIST HIS DIRECT SUPPORT FOR INCREASE OF EXIM PRECOMMITMENT TO KGCC FROM \$100 TO \$144. IT WAS AGREED THAT IT WOULD BE MORE APPROPRIATE FOR EMBASSY TO CABLE EXIM PROVIDING BACKGROUND ON KOREAN GOVERNMENT COMPANY'S INTEREST IN PURCHASING U.S. FERTILIZER PLANT. THIS WAS DONE IN REF (C).

11. KOREA EXCHANGE BANK VICE PRESIDENT, LEE HAE MUNG, WAS COMPLI-
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MENTED BY RAND ON RAPID DRAWDOWN OF \$30 MILLION IN COOPERATIVE FINANCING FACILITY FUNDS (1/2 EXIM, 1/2 BOA) DURING 1973. LEE STATED PROUDLY THAT STATE-OWNED KEB IS ADMINISTERING CFF FOR COMMERCIAL BANKS WITHOUT EVEN CHARGING FEE FOR ITS GUARANTEE. HE FRETTE ABOUT MONTH-OLD UNANSWERED REQUEST TO EXIM FOR REPLENISHMENT OF CFF AGAINST WHICH THERE WAS ALREADY HEAVY BACKLOG IN REQUESTS TO FINANCE IMPORTS FROM U.S. HE POINTED TO LARGER CFF AWARDED TO TAIWAN AND URGED THAT TOTAL FUNDS FOR SEVEN PARTICIPATING BANKS IN KOREA BE AT LEAST AS LARGE AS TAIWAN'S. RAND SAID KOREAN REQUEST FOR ADDITIONAL \$50 MILLION CFF TOO LARGE BUT SOME ADDITIONAL EXIM FUNDS SURE TO BE ALLOCATED SHORTLY. (CFF WAS INCREASED BY \$20 MILLION ON JANUARY 30.)
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